

Message Text

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ACTION MBFR-03

INFO OCT-01 EUR-25 IO-12 ADP-00 CIAE-00 PM-09 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

NEA-10 GAC-01 TRSE-00 SAJ-01 OIC-04 AEC-11 ACDA-19

OMB-01 RSR-01 /155 W

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R 020905 Z MAY 73

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 0000

INFO SECDEF WASHDC

MBFR CAPITALS 369

USMISSION GENEVA

USNMR SHAPE

USLOSACLANT

USCINCEUR

USDOCOSOUTH

USDEL SALT TWO II

C O N F I D E N T I A L VIENNA 3557

GENEVA FOR DISTO

FROM US REP MBFR

EO 11652: GDS

TAGS: PARM

SUBJECT: MBFR: AD HOC GROUP CHAIRMAN' S REPORT FOR WEEK OF APRIL
23-28, 1973

FOLLOWING IS TEXT OF AD HOC GROUP CHAIRMAN' S (FRG REP, RUTH)
REPORT TO NAC FOR WEEK OF APRIL 23-28, 1973. BEGIN TEXT.

MBFR AD HOC GROUP

CHAIRMAN' S REPORT FOR THE PERIOD 23 RD TO 28 TH APRIL, 1973

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IN ACCORDANCE WITH THE USUAL PRACTICE OF THE AD HOC GROUP, THE FOLLOWING REPORT IS SUBMITTED AS THE CHAIRMAN'S OWN ACCOUNT OF THE WEEK'S PROCEEDINGS.

2. DURING THE PAST WEEK THE GROUP HAS ENGAGED IN CONTINGENCY PLANNING IN ANTICIPATION OF THE COUNCIL DECISION OF 27 APRIL ON THE PROCEDURES PAPER PROPOSED BY THE SOVIET UNION ON 7 APRIL. ON RECEIPT OF THE SECRETARY GENERAL'S MESSAGE OF 27 APRIL, THE GROUP ENTRUSTED THE ALLIED EMISSARIES WITH A MANDATE TO NEGOTIATE ACCORDINGLY WITH THE SOVIET REPRESENTATIVES AT A MEETING ON 28 APRIL.

3. IN THIS CONNECTION, THE GROUP DISCUSSED VARIOUS POINTS TO BE RAISED CONCERNING THE FINALISING OF THE TEXTS FOR THE PROCEDURES PAPER AND FOR THE EXCHANGE OF STATEMENTS. IT WAS AGREED THAT ONLY THE DIRECT ALLIED PARTICIPANTS SHOULD BE MENTIONED

3. MEASURES CONCERNING REFUGEES AND RURAL DEVELOPMENT.

A. ARVN ENGINEERS WILL BE INSTRUCTED TO ASSIST IN LAND CLEARING FOR REFUGEE RESETTLEMENT.

B. DANANG AREA DEVELOPMENT PROGRAM WILL BE EXPANDED AND NEW SUCH PROGRAMS INTRODUCED IN NHA TRANG, QUI NHON, PLEIKU, KONTUM.

C. IMPACT PROGRAM FOR PRODUCTION OF RICE AND CORN IN THE DELTA. (DETAILS NOT WORKED OUT.)

D. RECOVERY AND REHABILITATION FUND TO BE SET UP TO FINANCE SHORT TERM OBJECTIVES.

E. RURAL CREDIT EXPANSION. DETAILS NOT WORKED OUT. WILL INCLUDE ADB LOANS TO VILLAGES, FOR RELOAN TO FARMERS AND PROGRAM TO ENCOURAGE COMMERCIAL BANK LENDING IN AGRICULTURAL SECTOR.

4. MEASURES FOR STIMULATION OF INVESTMENT.

A. EXPANSION OF DEVELOPMENT CREDIT:

(1) NEDF LOAN TERMS WILL BE EXTENDED TO 15 YEARS, 3-YEAR GRACE PERIOD INCLUDED; LOANS MAY COVER LARGER PROPORTION OF TOTAL ASSETS. INTEREST RATES TO BE REDUCED.

(2) NEDF LOANS THROUGH ADB WILL BE LIBERALIZED. MINIMUM SIZE REDUCED. EXTENDED GRACE PERIOD FOR CERTAIN LOANS (E. G., TREE CROPS). RELAXED COLLATERAL REQUIREMENT.

(3) RISK GUARANTEES BY NEDF.

(4) SMALL BUSINESS LOANS THROUGH NEDF LINES OF CREDIT TO ICI'S, TO FINANCE EQUIPMENT FOR HANDICRAFT INDUSTRIES, ETC.

(5) SETTING UP OF PRIVATE DEVELOPMENT BANKS WILL BE ENCOURAGED.

B. EQUITY PARTICIPATION:

(1) SOFIDIV AND COMMERCIAL BANKS WILL BE EMPOWERED TO USE NEDF FOR EQUITY PARTICIPATIONS, THOUGH ONLY FOR BIG PROJECTS, 500 MILLION TO 5 BILLION PIASTERS.

(2) FOR VERY LARGE PROJECTS, GVN JOINT VENTURES WITH PRIVATE SECTOR WILL BE ARRANGED, PROBABLY IN THE FORM OF PREFERRED STOCK. GVN WOULD NOT PARTICIPATE IN MANAGEMENT. STOCK HELD BY GVN TO BE REGISTERED ON STOCK EXCHANGE FOR SALE TO PRIVATE SECTOR.

C. INDUSTRIAL ESTATES:

(1) SIZE OF EXISTING BIEN HOA ESTATES WILL BE INCREASED.

(2) NEW ONES WILL BE CREATED IN CAN THO, CAM RANH AND

DANANG.
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(3) PREFABRICATED FACTORIES AND WORKER HOUSING WILL BE
ERECTED.

D. COMMERCIAL BANK LENDING:

(1) THE "PLANCHER" AND LOAN- DEPOSIT RATIO CONTROLS WILL BE
ABOLISHED.

(2) DEMAND DEPOSITS MAY CARRY INTEREST.

(3) RESERVE REQUIREMENT MODIFIED:

	DEMAND	SAVINGS	TIME DEPOSITS
PRIMARY	25 PCT	25 PCT	10 PCT
SECONDARY	25 PCT	25 PCT	25 PCT
TOTAL RESERVES	50	50	35

(4) INTERBANK LENDING TO BE FREELY PERMITTED.

(5) COMMERCIAL BANKS WILL BE ENCOURAGED TO MAKE LOANS TO
FARMERS.

E. IN- COUNTRY US DOD PROCUREMENT:

(1) GIVE GVN SUBSIDY TO EXISTING CONTRACTORS, BUT SOME WILL
BE OBLIGED TO SUBCONTRACT TO THEIR COMPETITORS.

(2) SPECIFICATIONS FOR NEW PROCUREMENT WILL BE REVISED TO
ELIMINATE SOME US REQUIREMENTS IRRELEVANT TO VIETNAM.

(3) INSPECTION AND RECEPTION OF GOODS- PROCEDURES TO BE
REVISED.

(4) CERTAIN TAX PRIVILEGES AND EXEMPTIONS WILL BE GRANTED
TO CONTRACTORS.

F. EXCHANGE REFORMS:

(1) A SEPARATE EXCHANGE FUND FOR ESSENTIAL IMPORTS WILL BE
CREATED. INITIALLY AT SAME RATE. SEPARATE BOOKKEEPING. COMMIT
FOREIGN AID DOLLARS AND SOME GVN DOLLARS TO THIS FUND. POSITIVE
LIST OF GOODS TO BE FINANCED IN THIS MARKET.

(2) EXPORT SUBSIDY WILL BE GRADUALLY REDUCED HN 50 PIASTERS,
BY LEAVING RATE AT 575 WHILE OFFICIAL RATE IS RAISED.

(3) ADDITIONAL TAXES ON LUXURY IMPORTS.

(4) PERMIT COMMERCIAL BANKS TO DEAL WITH FOREIGN CURREN-
CIES OTHER THAN DOLLARS.

(5) ALL ADVANCE DEPOSITS AS SUCH WILL BE ABOLISHED.

(6) FOR NEDF PROJECTS, LOAN APPROVAL WILL CARRY AUTOMATIC
EXCHANGE GUARANTEE, SUBJECT TO PIASTER PAYMENT BEING MADE WITHIN
90 DAYS.

(7) DESIGNATE ONE AGENCY TO COORDINATE, NEGOTIATE, SIGN
FOR AND MONITOR FOREIGN AID.

5. NATIONAL ECONOMIC DEVELOPMENT COUNCIL- THE DRAFT RECOMMENDS
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THE CREATION OF A NATIONAL ECONOMIC DEVELOPMENT COUNCIL DIRECTLY UNDER THE PRESIDENT TO RESEARCH, IMPLEMENT AND FOLLOW DEVELOPMENT POLICY, PROGRAM AND PROJECTS. (FURTHER DETAILS NOT AVAILABLE.)

6. GENERAL MEASURES- THE REMAINDER OF THE DRAFT PRESENTED TO THE PRESIDENT WAS VERY GENERAL. IT CALLED FOR: AN EMPHASIS ON TOURISM, INCLUDING THE CONSTRUCTION OF LUXURY HOTELS; AN IMPROVEMENT IN THE GENERAL BUSINESS CLIMATE FOCUSED ON PRICES, HOARDING AND COMMERCIAL RESTRICTIONS; ADMINISTRATIVE DECENTRALIZATION AND REFORM; CUSTOMS HOUSE- CLEANING; INCREASED TAX COLLECTION EFFORTS; MOBILIZATION OF ALL FOREIGN AID RESOURCES; AUSTERITY IN PUBLIC EXPENDITURES; AND FAMILY PLANNING.

7. THE DRAFT CONCLUDES WITH RECOMMENDATIONS FOR IMMEDIATE ACTION:

A. TO ESTABLISH A REFUGEE RELIEF FUND, FOR WHICH FOREIGN CONTRIBUTIONS COULD BE SOLICITED.

B. TO SEEK AN ADDITIONAL 55 BILLION PIASTERS FOR THE NATIONAL BUDGET.

C. TO INCREASE THE AVAILABILITY OF DEVELOPMENT CREDIT UNDER LEADERSHIP OF THE NBVN.

D. TO ESTABLISH A NATIONAL ECONOMIC DEVELOPMENT COUNCIL.

8. COMMENT. THE PROGRAM APPEARS GENERALLY CONSTRUCTIVE AND FORWARD LOOKING. WE ARE DISCUSSING DETAILS WITH THE MINISTRIES CONCERNED.

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